Manitoba

Annual Report 1987 - 88

The Manitoba Beef Commission

90-00284/

Minister of
Agriculture

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

To The Lieutenant-Governor for
the Province of Manitoba

Your Honour:

I have the honour to submit herewith the report of the Manitoba Beef Commission for the period April 1, 1987 to March 31, 1988.

Your obedient servant,

Glen Findlay,
Minister of Agriculture

MANITOBA BEEF COMMISSION
1135-444 St. Mary Ave. Winnipeg, Manitoba R3C 3T1
Phone: (204) 945-4161

December 15, 1988

The Honourable Glen Findlay
Minister of Agriculture
Room 165 Legislative Building
Winnipeg, Manitoba

Dear Sir:

I have the honour of presenting herewith the 6th Annual Report of the Manitoba Beef Commission for the 12 month period ending March 31, 1988, accompanied by the Audited Financial Report for the same period.

Respectfully submitted,

David T. Fulton

Dave Fulton,
Chairman,
Manitoba Beef Commission

The Manitoba Beef Commission

Board of Directors

Back row, left to right

Cornie Friesen
Director
Grunthal

Innes Hodson
Director
Virden

Clifford Graydon
Director
Woodmore

Front row, left to right

Dave Fulton
Chairman
Birtle

Irene Moffatt
Director
Rorketon

Robert Stewart
Vice-Chairman
Russell

Background

On April 1, 1982, the Minister of Agriculture announced funding for a major beef stabilization and marketing plan for Manitoba. The Manitoba Beef Commission, with the subsequent activities detailed in this report is the result of that commitment.

Objectives

1. To enhance the economic viability of beef producers in Manitoba through the strengthening, expansion and unification of the total beef industry within the Province. The Commission believes a viable beef industry includes:
   - primary producers
   - the country auction system
   - custom feedlots and
   - the packing house industry.
2. To develop and administer a stabilization insurance fund which provides economic stability and operating confidence to the primary beef producer allowing for long term planning.
3. To develop and administer an orderly marketing system which strengthens the producer's position and provides greater efficiencies in the price determination and procurement process.
4. To assist and encourage the retention, growing, finishing and processing of a greater number of Manitoba produced calves in Manitoba through financial and technical assistance.

The Concept

The principles involved:

- an on-going plan, with provision to join or opt out at any time
- stabilization on three classifications: calves, feeders and slaughter
- three levels of support to choose from in each classification
- jointly funded by the province and producers, with provision to blend into a Federal plan
- slaughter animals to be marketed through the central desk concept, with prices determined on a "pooled" basis
- administration by a Beef Commission operating independently, but in close cooperation with Manitoba Agriculture support services
- additional financial aid plans such as cash advances, feeding loans, or facility improvement loans, to complement and aid the industry.

The Commission

In September, 1982, the Manitoba Beef Commission was created by Regulation 186/82 under the Natural Products Marketing Act. The purpose of the Commission is to administer a provincial stabilization and marketing plan. A seven member producer Board of Directors was appointed to develop, implement and administer the Stabilization and Marketing Plan. The activities of the Board and Commission are under the supervision of the Manitoba Natural Products Marketing Council.

During the fiscal year 1987-88, the Board held 13 regular board meetings and 13 producer information meetings at various country points. A three member Review Committee was established to review and make recommendations on all client situations which fall outside normal operating policies. This committee scrutinized such cases in detail, with their recommendations presented at a regular Directors' meeting for ratification. The committee held seven regular meetings.

The Stabilization Plan

The support level in the Manitoba Beef Plan reflects producer costs. The formula, while not a cost-of-production budget, effectively measures changes that occur in the cost of production.

In September 1986, due to the increasing deficit in the Beef Commission's Stabilization Fund, which in turn required unacceptably high premiums, the Commission offered an adjusted level in support and producer premiums.

Contract holders were given the option to accept a lowering of Support Levels by $7.50/cwt. liveweight across all levels and classifications with a lowering of Producer Premiums, or to maintain support levels at current levels with a corresponding increase in Producer Premiums.

Ninety-five percent of all contract holders now subscribe to the lower range of coverage.

For the year 1987/88 the following support and premium levels were in effect for the lower coverage.

A. LOWER SUPPORT LEVEL
LOWER PREMIUMS

Classification	LEVEL I Liveweight	LEVEL I Dressed	LEVEL II Liveweight	LEVEL II Dressed	LEVEL III Liveweight	LEVEL III Dressed
January 1, 1987 - June 30, 1987						
Slaughter animals						
Support	$76.34	$132.77	$79.46	$138.19	$81.56	$141.84
Producer Premium	5.5%		6.5%		8%	
Calves						
Support	$79.03		$84.42		$89.82	
Producer Premium	3%		4%		6%	
Yearlings						
Support	$72.25		$77.55		$80.73	
Producer Premium	3%		4%		6%	
July 1, 1987 - December 31, 1987						
Slaughter animals						
Support	$72.65	$126.35	$75.61	$131.50	$77.61	$134.97
Producer Premium	4.5%		5.3%		6.5%	
Calves						
Support	$75.02		$80.13		$85.26	
Producer Premium	2.3%		3.0%		4.5%	
Yearlings						
Support	$68.66		$73.70		$76.72	
Producer Premium	2.3%		3.0%		4.5%	
January 1, 1988 - June 30, 1988						
Slaughter animals						
Support	$72.27	$125.69	$75.22	$130.82	$77.21	$134.28
Producer Premium	4.5%		5.3%		6.5%	
Calves						
Support	$76.17		$81.36		$86.56	
Producer Premium	2.3%		3.0%		4.5%	
Yearlings						
Support	$69.02		$74.08		$77.12	
Producer Premium	2.3%		3.0%		4.5%	

Producers are rewarded for quality and quantity by the price received from the market place. When the market price falls below the support level, stabilization payments are based on the number of pounds produced and marketed. Both these concepts serve as an incentive for producers to produce a quality product at optimum efficiency.

Participation

The Commission began the fiscal year with 4,761 active contracts registering a basic cow herd of 257,951 head. During the year eight new contracts were accepted and 399 terminations were processed.

At fiscal year end, the Commission was operating with 4,370 active contracts registering a basic cow herd of 239,238 head.

During the fiscal year under review, the 100 per cent earned forgiveness factor on the Productivity Enhancement Grant and the 50 per cent earned forgiveness on excess stabilization payments, together with improved cattle prices, were contributing factors to the increased number who chose to terminate their contracts.

B. HIGHER SUPPORT LEVEL
HIGHER PREMIUMS

Classification	LEVEL I Liveweight	LEVEL I Dressed	LEVEL II Liveweight	LEVEL II Dressed	LEVEL III Liveweight	LEVEL III Dressed
January 1, 1987 - June 30, 1987						
Slaughter animals						
Support	$83.70	$145.57	$86.82	$150.99	$88.92	$154.64
Producer Premium	15.8%		16.8%		18.3%	
Calves						
Support	$86.51		$91.91		$97.31	
Producer Premium	6%		10%		15.4%	
Yearlings						
Support	$79.68		$84.98		$88.16	
Producer Premium	6%		10%		15.4%	
July 1, 1987 - December 31, 1987						
Slaughter animals						
Support	$79.65	$138.52	$82.62	$143.69	$84.62	$147.17
Producer Premium	12.8%		13.7%		14.9%	
Calves						
Support	$82.12		$87.24		$92.37	
Producer Premium	4.3%		7.5%		11.6%	
Yearlings						
Support	$75.72		$80.76		$83.78	
Producer Premium	4.3%		7.5%		11.6%	
January 1, 1988 - June 30, 1988						
Slaughter animals						
Support	$79.24	$137.81	$82.19	$142.94	$84.18	$146.40
Producer Premium	12.8%		13.7%		14.9%	
Calves						
Support	$83.38		$88.57		$93.78	
Producer Premium	4.3%		7.5%		11.6%	
Yearlings						
Support	$76.11		$81.18		$84.22	
Producer Premium	4.3%		7.5%		11.6%	

Operating Details

Slaughter cattle were pooled on a weekly basis by sex, grade and weight classification. The pooled price determines the settlement price to the producer, with the A1 and A2 pooled steer price determining the amount of stabilization to be paid. Any stabilization to be paid on slaughter cattle was included in the producer settlement cheque.

Unfinished cattle were marketed at a place and method of the producer's choice providing:

(a) the settlement cheque was made out in the name of the Commission and routed through the Commission, and

(b) the settlement statement clearly indicated the price and total value supported by bonafide weigh slips from a recognized livestock scale.

The Commission paid producer settlements on the basis of selling price less producer premiums. Stabilization payments were made in the month following the date of sale, after the monthly average price had determined the rate of stabilization.

The support level initially set for the three classifications of stabilized animals was relative to the twelve cost of production indicators listed in the contract and the prevailing market prices. Built into the Plan is a provision for the support level to be reviewed twice yearly (January 1st and July 1st). Producer premiums may be adjusted as required, and were adjusted downward by 1.5 per cent on July 1st, 1987 (Level III).

The amount of stabilization to be paid was determined as follows:

- **For Slaughter Animals** — the difference between the weekly 'pool' price for A1 and A2 steers in the standard weight category, and the support level.
- **For Feeders** — the difference between the monthly average price for large frame lean feeder steers over 600 lbs., and the support level.
- **For Calves** — the difference between the monthly average price for good stock steer calves in the 400 to 600 lbs. weight range, and the support level.

Finished Cattle Marketings

The 1987/88 fiscal year was the fifth year of M.B.C. Central Desk Marketing. During this period, 40,950 slaughter cattle were marketed (717 head were sold on live-weight basis). Marketing fees amounted to $182,361, on $35,928,688 of market value.

Purchasers of M.B.C. slaughter cattle included all of the four federally inspected packinghouses in Manitoba, one wholesale purveyor and 12 provincially inspected rural abattoirs.

Final grading results on 38,075 steers and heifers were:

- A grades — 36,308 head or 95.3%
- B grades — 1,604 head or 4.2%
- C grades — 163 head or .5%

There were also 426 cows grading D1-5 and 30 bulls grading E1-2.

Unfinished Marketings

The Commission stabilized 89,680 head of unfinished cattle under the calf and feeder cattle sections of the stabilization plan. Recognizing the loss to the provincial economy when unfinished animals are marketed and moved out of the province, the Commission continued to encourage 'One Owner Finishing'. A joint promotional effort with other branches of Manitoba Agriculture was undertaken during September to:

(a) demonstrate the benefit of marketing a finished product, and

(b) to inform producers of assistance available to overcome any obstacles in doing so.

Manitoba Agriculture Credit Corporation

To maintain on-farm cash flow during the transitional period from marketing calves to that of finished animals, the Manitoba Agricultural Credit Corporation provided short term cash advances or custom feeding loans. While M.A.C.C. provided the funds and administered this aspect of the program, the Beef Commission cooperated in the repayment process by forwarding the proceeds to M.A.C.C. when the cattle were marketed.

From start-up date to March 31, 1988, 1,148 such loans were issued totalling $18.1 million, covering approximately 53,000 head of cattle. During the same period, 941 of these loans had been repaid in the amount of $14.3 million.

Manitoba

The Manitoba Beef Commission

Report of the Provincial Auditor's Office

We have examined the financial statements, being Exhibits A, B, C, D, E and F, of The Manitoba Beef Commission for the fiscal year ended March 31, 1988. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1988 and the results of its operations for the year ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

August 16, 1988,
Winnipeg, Manitoba.

F.H. Jackson, CA,
Provincial Auditor.

Exhibit A
The Manitoba Beef Commission

Balance Sheet

as at March 31, 1988

Assets

	1988	1987
Current assets:		
Funds on deposit with the Minister of Finance and in bank	$ 1,909,689	$ 3,857,190
Term deposit with the Minister of Finance	2,000,000	2,500,000
Accounts receivable:		
Packers and auction marts	348,816	927,707
Producers, less allowance for doubtful accounts (Note 3)	325,413	356,453
Inventory	45,384	52,754
	$ 4,629,302	$ 7,694,104

Liabilities and Fund Account Balances

Current liabilities:		
Accounts payable:		
Producers	$ 605,720	$ 1,940,499
Government of the Province of Manitoba	114,886	47,312
Trade accounts	75,866	77,689
	796,472	2,065,500
Advance from the Government of the Province of Manitoba (Note 4)	23,500,000	33,500,000
	24,296,472	35,565,500
Fund account balances:		
Stabilization Fund Account (deficit), Exhibit C	(19,983,694)	(28,031,230)
Administration Fund Account, Exhibit E	316,524	159,834
	(19,667,170)	(27,871,396)
	$ 4,629,302	$ 7,694,104

Approved by:

Chairperson

Director

Exhibit B
The Manitoba Beef Commission

Producer Fund Account
Statement of Operations

	For the year ended March 31, 1988			For the year ended March 31, 1987		
	Finished Cattle	Unfinished Cattle	Total	Finished Cattle	Unfinished Cattle	Total
Revenue:						
Proceeds on sale of cattle	$35,912,826	$61,515,757	$97,428,583	$64,216,366	$46,624,038	$110,840,404
Packer, auction mart, insurance claims and miscellaneous	13,874	3,080	16,954	22,075	5,566	27,641
Net pool adjustments from Administration Fund Account, Exhibit E	1,988	4	1,992	2,163	(3)	2,160
Total revenue	$35,928,688	$61,518,841	$97,447,529	$64,240,604	$46,629,601	$110,870,205
Distribution:						
Assessments:						
Producer premiums, Exhibit C	$ 2,453,964	$ 2,753,400	$ 5,207,364	$ 6,562,461	$ 3,123,479	$ 9,685,940
Marketing fees, Exhibit E	182,361	—	182,361	324,938	—	324,938
	2,636,325	2,753,400	5,389,725	6,887,399	3,123,479	10,010,878
Direct charges						
Assembly fees, etc.	19,397	—	19,397	56,216	976	57,192
Freight	13,354	206	13,560	16,290	119	16,409
Insurance	453	5,035	5,488	1,118	3,600	4,718
Dues paid on behalf of producers — M.C.P.A.	53	75	128	—	—	—
	33,257	5,316	38,573	73,624	4,695	78,319
Producer settlements	33,259,106	58,760,125	92,019,231	57,279,581	43,501,427	100,781,008
Total distribution	$35,928,688	$61,518,841	$97,447,529	$64,240,604	$46,629,601	$110,870,205

Exhibit C
The Manitoba Beef Commission

Stabilization Fund Account
Statement of Revenue and Expenditure and Deficit

for the year ended March 31, 1988

	1988	1987
Revenue:		
Producer premiums:		
Producer Fund Account, Exhibit B	$ 5,207,364	$ 9,685,940
Direct from producers	196,070	168,878
	5,403,434	9,854,818
Loan forgiveness contribution (Note 8)	466,447	—
Provincial premium contributions	1,705,647	2,042,370
Recovery of stabilization payments (Note 5)	560,034	588,764
Total revenue	8,135,562	12,485,952
Expenditure:		
Stabilization payments	73,644	12,952,711
Bad debt expense	14,382	315,322
Total expenditure	88,026	13,268,033
Excess of Revenue over Expenditure	8,047,536	(782,081)
Deficit, beginning of year	28,031,230	27,249,149
Deficit, end of year, Exhibit A	$ 19,983,694	$ 28,031,230

Exhibit D
The Manitoba Beef Commission

Productivity Enhancement Grant Fund Account
Statement of Operations

for the year ended March 31, 1988

	1988	1987
Recoveries of grants from producers	$ 46,900	$ 214,930
Less: Bad debt expense	7,370	160,096
	$ 39,530	$ 54,834
Distribution:		
Government of the Province of Manitoba	$ 39,530	$ 54,834

Exhibit E
The Manitoba Beef Commission

Administration Fund Account
Statement of Revenue and Expenditure and Fund Account Balance

for the year ended March 31, 1988

	1988	1987
Revenue:		
Grant — Government of the Province of Manitoba	$ 294,000	$ 267,600
Interest	301,382	341,627
Marketing fees, Exhibit B	182,361	324,938
Producer penalty	12,500	28,207
Producer interest	55,504	—
Recovery of provincial premium contributions on cancellation of producers' contract (Note 7)	227,465	103,865
Miscellaneous	742	(4,769)
Total Revenue	1,073,954	1,061,469
Expenditure:		
Advertising and promotion	13,054	9,216
Audit	23,660	19,425
Bank charges	8,569	10,795
Computer services and equipment	177,652	205,703
Directors' fees and expenses	38,014	40,699
Delivery	7,699	8,192
Dues and subscriptions	372	435
Furniture and fixtures	—	2,826
Hall rentals	872	683
Health and post-secondary education tax levy	11,592	8,023
Fieldmen expenses	38,700	61,744
Legal Fees	500	—
Net pool adjustments to Producer Fund Account, Exhibit B	1,992	2,160
Postage and telephone	15,898	28,719
Printing and stationery	17,841	27,781
Purchase trading, Exhibit F (Note 9)	1,330	(36,612)
Rentals	450	810
Repairs and maintenance	254	143
Salaries and employee benefits	539,950	559,417
Travel	18,865	16,454
Total Expenditure	917,264	966,613
Excess of Revenue over Expenditure	156,690	94,855
Balance, beginning of year	159,834	64,979
Balance, end of year, Exhibit A	$ 316,524	$ 159,834

Exhibit F
The Manitoba Beef Commission

Statement of Purchase Trading Revenue and Expenditure

for the year ended March 31, 1988

	1988	1987
Revenue:		
Proceeds on sale of cattle	$ 60,395	$ 471,900
Packer, insurance claims	—	700
Total revenue	60,395	472,600
Direct Expenditure:		
Cattle purchases	58,818	413,231
Freight	2,590	15,344
Yardage, feed and commission	147	6,776
Insurance and grading	170	637
Total direct expenditures	61,725	435,988
Excess of direct expenditure over revenue, Exhibit E (Note 9)	$ 1,330	(36,612)

The Manitoba Beef Commission

Notes to Financial Statements

for the year ended March 31, 1988

1. **Status of the Commission**

The Manitoba Beef Commission was established on September 1, 1982 by regulation under the Natural Products Marketing Act, to administer regulations respecting the marketing of beef.

The Commission has administrative responsibility for the following:

a) The Manitoba Beef Marketing Plan was established September 1, 1982 by regulation under the Natural Products Marketing Act. The purpose of this Plan is to maximize the return to the producers in the marketing of beef.

b) The Manitoba Beef Stabilization Plan was established September 1, 1982 by regulation under the Farm Income Assurance Plans Act. The purpose of this Plan is to improve the income stability of participating beef producers. There was also support for a limited period through payment of a special Productivity Enhancement Grant to producers joining the Plan. In accordance with the regulations, separate accounts were established for these operations.

The Producer Fund Account was established on March 1, 1983 to account for the sales of finished and unfinished cattle marketed under the Manitoba Beef Marketing Plan.

The Stabilization Fund Account was established effective September 1, 1982 for operation of the Manitoba Beef Stabilization Plan. It accounts for the collection of premiums from producers enrolled in the Manitoba Beef Marketing Plan, and from the Province and the stabilization payments to producers.

The Productivity Enhancement Grant Fund Account was established to account for payment of a Productivity Enhancement Grant to each producer joining the Manitoba Beef Marketing Plan up to January 21, 1983.

The Administration Fund Account was established to account for the Commission's administrative, marketing and purchase trading operations.

2. **Significant accounting policies**

a) The financial statements have been prepared on an accrual basis of accounting except for capital acquisitions which are being charged to operations at cost in the year acquired.

b) The Commission maintains separate divisions in its accounts for the activities of the Producer Fund Account, Stabilization Fund Account, Productivity Enhancement Grant Fund Account and the Administration Fund Account. The assets and liabilities of all of the fund accounts are combined on the balance sheet.

The Producer Fund Account and the Productivity Enhancement Grant Fund Account by their nature have nil balances at year end.

c) The Government of the Province of Manitoba provides for the interest on the advances to the Commission (Note 4); for office space at an approximate annual cost of $68,000; and for certain administrative and field representative services, at no cost to the Commission. The value of these benefits to the Commission is not reflected in the financial statements.

3. **Accounts receivable — producers**

The accounts receivable from producers consists of:

	1988	1987
Stabilization payments recoverable	$ 546,578	$ 520,395
Productivity enhancement grants	329,570	367,917
Premiums	77,054	153,793
Interest	54,209	—
Other	17,179	22,655
	1,024,590	1,064,760
Less: Allowance for doubtful accounts	699,177	708,307
	$ 325,413	$ 356,453

4. **Advance from the Government of the Province of Manitoba**

The Government of the Province of Manitoba authorized repayable advances to the Commission of up to $41,600,000 for the purpose of funding the deficit of the Stabilization Fund Account when revenues are not sufficient to pay the producers' stabilization payments under the Manitoba Beef Stabilization Plan. At March 31, 1988 the amount advanced to the Commission was $23,500,000 (1987 — $33,500,000), of which the Commission had drawn $20,662,293 (1987 — $28,554,515) with the balance of $2,837,707 (1987 — $4,945,485) maintained on deposit with the Minister of Finance in a trust account.

Interest charged on the advances by the Department of Finance is paid from an appropriation of the Department of Agriculture in the amount of $2,677,364 in 1988 (1987 — $3,330,739).

5. **Termination of contract**

A producer may terminate his contract with the Commission at any time. Depending upon the balance of the individual producer account, represented by the producer premiums and stabilization payments, termination by a producer before eight full years will result in a partial return of premiums paid or a partial recovery of stabilization deficiency payments.

6. **Productivity Enhancement Grant Fund Account**

The Productivity Enhancement Grant Fund Account was established to account for special grants to producers joining the Manitoba Beef Marketing Plan from inception to January 21, 1983.

The grants are not fully earned by the producers until they have completed four years of enrollment in the Plan. Any recoveries from producers terminating their contracts before the grants are fully earned are repayable to the Province.

7. **Recovery of provincial premium contributions**

The provincial premium contribution portion of the stabilization payments recovered from producers is transferred to the Administration Fund Account. For the year ended March 31, 1988 the recovery of the provincial premium contributions transferred to the Administration Fund Account was $227,465 (1987 — $103,865), which represented a recoverable amount of $232,372 (1987 — $182,486) less bad debt expense of $4,907 (1987 — $78,621).

8. **Recovery of loan forgiveness**

The Government of the Province of Manitoba funds the earned forgiveness portion of the deficit balances of terminated producer contracts. For the year ended March 31, 1988 the forgiveness portion received from the Province was $466,447 which represented the earned forgiveness for the period September 1, 1982 — March 31, 1988.

9. **Purchase trading**

During the year ended March 31, 1988, the Commission purchased cattle from its clients and subsequently sold these animals out of the Province. Direct expenditures on these transactions have been reflected in the Statement of Purchase Trading Revenue and Expenditure, Exhibit F. Indirect expenditures related to this program are included in Exhibit E.